



STATE OF WEST VIRGINIA  
OFFICE OF THE ATTORNEY GENERAL  
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# Press Release

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**FOR IMMEDIATE RELEASE**

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**ATTORNEY GENERAL DARRELL MCGRAW ANNOUNCES SETTLEMENTS WITH J. KAZ, INC., d/b/a CRAFTMATIC OF PITTSBURGH, A DOOR-TO-DOOR SELLER OF CRAFTMATIC BEDS, AND ITS LARGEST FINANCE COMPANY, DENT-A-MED, INC., TOTALING APPROXIMATELY \$570,000.00**

Attorney General Darrell McGraw announced today that his office has reached separate settlements with both J. Kaz, Inc., d/b/a Craftmatic of Pittsburgh, a Pennsylvania corporation, and Dent-A-Med, Inc., d/b/a HC Processing, d/b/a The HELP Card, an Arkansas finance company. J. Kaz, Inc. is the West Virginia distributor for Craftmatic adjustable beds. Craftmatic of Pittsburgh sold adjustable beds (which had an average cost of approximately \$4,000.00) door-to-door to elderly consumers throughout West Virginia. Dent-A-Med, Inc. offers a credit card consumers can use for health related expenses and was the largest of the six finance companies used by Craftmatic in West Virginia.

The Attorney General's office began investigating Craftmatic after it received a large number of complaints. Craftmatic engaged in a barrage of high pressure sales tactics. Notably, Craftmatic salesmen stayed in elderly consumers' homes for several hours, often late into the evening. For example, an 81-year-old Clendenin woman stated in her complaint that a Craftmatic salesperson stayed from 3:00 to 6:30 p.m., when he left for dinner. He returned at 7:00 p.m. and stayed until 10:00 p.m. She and her husband finally "gave in" and purchased the bed for \$3,000.00. The woman reported that they repeatedly told him they were not interested in the bed, but "he just wouldn't take 'no' for an answer."

The consumers' complaints also indicated that Craftmatic salespeople made representations about the bed's ability to cure consumers' medical problems, which the consumers later learned to be false. Consumers did not receive the beds until weeks after they had paid for them and, thus, they were unable to assess the firmness and quality of the bed at the time of the sale.

During its investigation, the Attorney General learned of additional questionable sales practices used by Craftmatic. First, the seller's misconduct occurred even prior to the in-home sales pitch. The parent company, Craftmatic Organization Inc., obtained the names of consumers' friends and relatives by telling them it needed their contact information to enter them in a sweepstakes program. Craftmatic Organization then forwarded these names to Craftmatic of Pittsburgh to arrange in-home appointments. Second, Craftmatic used deceptive price reductions to coerce consumers into making a purchase. Craftmatic salespeople had no set prices for its beds, but they used bogus \$250.00 reductions and made calls to their home office to make consumers think they were getting a bargain. Third, Craftmatic advertised one bed for only \$437.00, but this bed was immediately disparaged by the salesperson and rarely sold. Fourth, the Attorney General further alleged that Craftmatic did not comply with three day right to cancel laws. Furthermore, Craftmatic had illegal warranty disclaimer and debt collection provisions in its contracts.

The Attorney General began discussions with the finance company after it learned that the door-to-door seller was using "bogus open-end credit." Federal law requires certain disclosures to be made with closed-ended credit (e.g. automobile loan), but it does not require those same disclosures to be made in open-end credit transactions (e.g. Visa/Mastercard). Before a transaction can qualify as open-end credit, the creditor must "reasonably contemplate" that there will be repeat transactions with the finance company's credit card. With this door-to-door bed seller, there could not have been an expectation of repeated transactions. Only one of the 221 consumers Dent-A-Med, Inc. financed for Craftmatic made a repeat purchase using a credit card. Because consumers did not learn the true cost of credit (as explained by the federal Truth in Lending disclosures), they were much more

likely to buy a bed they could not afford.

When the Attorney General's Office spoke with consumers who financed the purchase of the bed, the majority of them did not even know the charge had been put on a credit card. Other consumers reported that they were misled about the terms of financing.

The settlements involve three categories of West Virginia consumers with a total of 465 receiving some kind of relief. West Virginia consumers will either have their entire debt canceled, their interest rate reduced from its present annual percentage rate (APR) of 21% to 0%, or receive a refund check of \$1,000.00. All consumers will be allowed to keep the beds. Craftmatic of Pittsburgh will contribute \$475,000.00, and Dent-A-Med, Inc. will contribute approximately \$95,000.00. The Craftmatic settlement also includes substantial injunctive relief, largely similar to that found in the Ohio Attorney General's settlement with J. Kaz, Inc. and Craftmatic Organization, Inc. in 2005.

Attorney General McGraw said, "After extensive negotiations, I am pleased that we were able to resolve this matter. My office will do everything it can to protect the senior citizens of this State. I want to commend Dent-A-Med for the collaborative approach they took in this settlement."

If you have any questions about this matter or want to file a consumer complaint, please call Attorney General Darrell McGraw's Consumer Hotline at 1-800-368-8808 or 304-558-8986.

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